



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

September 1, 2021

For the week 26.08.2021-01.09.2021

"Yield curve edges up"

Weekly Yield Movement & Volume

In the beginning of the week, the secondary bond market yield curve remained broadly unchanged but towards mid-week, displayed a massive upward shift amidst the mounting pressure on yields quoted by market participants and the auction yields continued to upsurge across the board till the end of the week.

Market activities were mostly witnessed on 2024 tenors while 01.12.24 maturity was highlighted among repeated trades. A bond auction worth of LKR 50.0Bn was held on 30th Aug, with only 8% of the total offered amount accepted. Meanwhile, at the LKR 68.5Bn bill auction held, only 36.9% of the offered value was accepted while auction yields witnessed an upsurge across the board. Accordingly, yields of 03M and 06M bills rose by 05bps to 5.92% and 5.95% respectively while yield of 01 Yr bill increased by 3bps to 5.96%.

In the Forex market, USD/LKR witnessed a depreciation, with the rupee recording at LKR 210.0 relative to the value of LKR 199.9 held at the beginning of the week.

Liquidity & CBSL Holdings

Market liquidity turned negative during the week. At the beginning, excess liquidity was recorded at LKR 13.71Bn and subsequently turned negative to LKR -205.61Bn on 1st Sep. Meanwhile, CBSL holdings increased during the week and recorded at LKR 1,221.1Bn compared to LKR 1,203.4Bn held at the beginning of the week.

Foreign Interest

Foreign holding in government securities remained unchanged at LKR 2.1Bn while foreign holding percentage also remained unchanged at 0.03%.

Maturities for next week

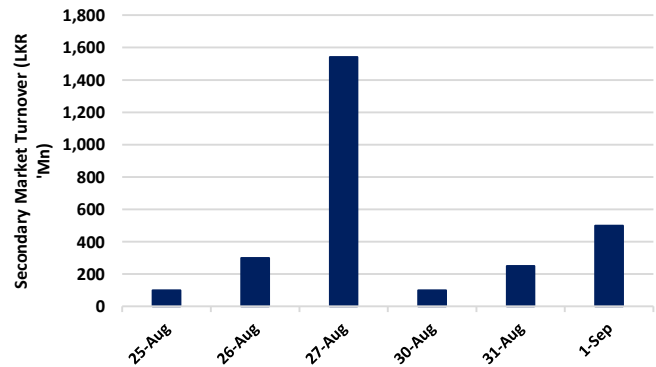
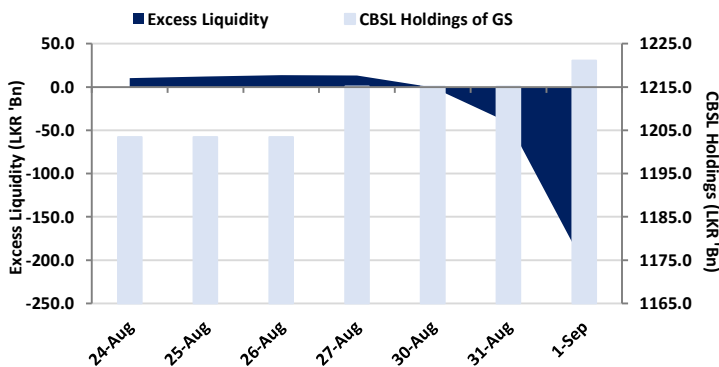
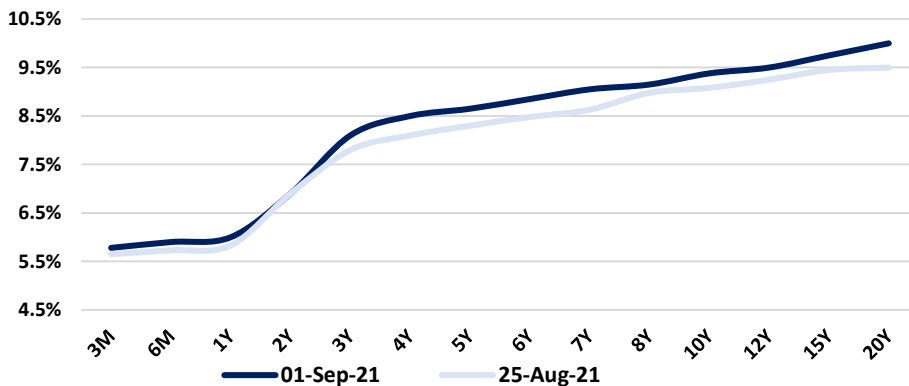
The Government Securities market has to settle a Treasury Bill maturity amounting to LKR 68.9Bn for the week ending 10th Sep 2021.

TENURE	BID	OFFER
< 91 Days < 3M	5.85%	5.70%
< 182 Days < 6M	5.95%	5.85%
< 364 Days < 1Y	6.10%	5.90%
01-Sep-23 < 2Y	6.95%	6.85%
15-Sep-24 < 3Y	8.20%	8.00%
01-Aug-25 < 4Y	8.60%	8.40%
01-Feb-26 < 5Y	8.75%	8.55%
15-Aug-27 < 6Y	8.95%	8.75%
01-Jul-28 < 7Y	9.15%	8.95%
01-May-29 < 8Y	9.25%	9.05%
15-Mar-31 < 10Y	9.50%	9.25%
15-Jan-33 < 12Y	9.60%	9.40%
15-Mar-35 < 15Y	10.00%	9.50%
01-Jan-41 < 20Y	10.25%	9.75%

US TREASURIES	27-Aug-21	20-Aug-21
1 Year	0.07%	0.06%
2 Year	0.22%	0.23%
5 Year	0.79%	0.80%
10 Year	1.31%	1.26%
30 Year	1.91%	1.87%

MARKET INTEREST RATES	27-Aug-21	Last Month
AWPLR	5.94%	5.65%
	Banks	NBFIs
FD Ceiling Rate(1Yr)	N/A	7.21%

MONEY MARKET RATES	High	Low
Call Money	6.00%	5.80%
Repo Rates	5.81%	5.70%



Daily Summary

Thursday (26.08.21): The secondary bond market witnessed a dull sentiment while recording ultra -thin activities and volumes as market participants adopted a wait and see approach. In the midst of thin trading, 01.12.24 maturity was seen trading at 8.05% levels.

Friday (27.08.21): The secondary market yield curve remained broadly unchanged owing to another lackluster trading day. Market witnessed thin volumes and limited activities. However, with some selling interest, 01.12.24 maturity was traded within a range of 8.00% - 8.12%.

Monday (30.08.21): The secondary bond market yield curve remained broadly unchanged remaining standstill despite the LKR 50.0Bn worth of bond auction scheduled during the day. Meanwhile, in the midst of dull sentiment, at the bond auction, only 8% of the total offered amount was accepted.

Tuesday (31.08.21): The secondary bond market yield curve shifted upward amidst the mounting pressure on yields quoted by the market participants. However, the overall trading activities remained pale displaying a dull sentiment throughout the day.

Wednesday (01.09.21): The secondary bond market yield curve remained broadly unchanged as overall market activities were at a complete standstill. Meanwhile, at the LKR 68.5Bn T- bill auction, only 36.9% of the offered value got accepted while auction yields witnessed an upsurge across the board. Accordingly, yield of 03M and 06M bills rose by 05bps to 5.92% and 5.95% respectively while yield of 01 Yr bill increased by 3bps to 5.96%.

OUTSTANDING STOCK	25-Aug-21	Previous Week	Change (%)
T-Bills [LKR 'Mn]	2,068,165	2,068,154	0.0%
T-Bonds [LKR 'Mn]	6,219,990	6,219,990	0.0%
TOTAL	8,288,155	8,288,144	0.0%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	2,087	2,087	0.0%
Foreign Holding (%)	0.03%	0.03%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	10-Sep-21
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	68,893		
T-Bonds	0		
T-Bond Interest	0		
SLDBs/Sovereign Bonds		0	
TOTAL	68,893	0	

T-BILL AUCTION				Week Ending 3-Sep-21		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	01-Sep-21	25-Aug-21	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	5.92%	5.87%	5	18,000	32,491	23,336
182 Days	5.95%	5.90%	5	23,000	23,105	1,875
364 Days	5.96%	5.93%	3	27,500	27,510	40
Date of Settlement	3-Sep-21			68,500	83,106	25,251

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